

kind, invariably avoid this class of investment. It should also be seen that both principal and interest are payable in gold or sterling at a fixed rate of exchange, and both payable in London. In the Bonds to Bearer we have to bear in mind the possibility of loss and robbery, and the owner's position in either of these events I fail to ascertain. My advice accordingly would be to avoid, as far as possible, investments in this latter form.

In regard to foreign government securities as channels of investment—and the principle applies indeed to every borrower, individual or corporate or national—the element of Character is essentially involved, and the practice adopted with respect to private persons should be applied. If, on any occasion, delay in payment, above all, default, is recorded in the history of the borrower, let the investor close his eyes to the most tempting offers. Or if, like a thriftless individual, the country's expenditure tends to exceed its income, or the borrower's career has not proved a consistent record of probity and punctuality in the fulfilment of obligations, or if former borrowed funds have been largely wasted in profitless schemes, or in the discharge of debts incurred without any provision being set aside for their honourable satisfaction; in any of these contingencies the refusal of confidence which we display towards a person in similar circumstances should be extended here. On the whole—although there are many foreign governments of the highest honour and reputation whose obligations are deserving of fullest trust—the ordinary investor, perhaps, unless he can command skilful guidance, would better exclude this description of investment from his list. With the possession, however, of a competent adviser, for he himself will probably only have a vague and general knowledge upon the subject, indefinite for purposes of discrimination, he may safely entertain some investments of this selected nature.

6. If American Railway Bonds are purchased they should be restricted to the leading lines, and be limited to First Mortgage Bonds expressed (with the interest) in gold or sterling. We have here to regard—in the exercise of careful

discrimination—the methods of finance too frequently adopted: the control of many commercial and industrial undertakings by